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# **CITIZENS' GUIDE TO THE SUNNYVALE MANAGEMENT SYSTEM**

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## **Planning and Management System (PAMS)**

The system was designed to integrate the policymaking, service delivery, fiscal control and evaluation activities of the City into one strategic management blueprint. Comprised of three major components - General Plan, Service Delivery and Personnel/Program Evaluation - PAMS provides the City a more structured process of managing services, assigning responsibility and ensuring accountability.

## **General Plan**

The General Plan is a long-term planning document that provides the City a framework for action, as well as the direction in which to focus that action. General Plan Elements are areas in which the City has elected to administer and manage the delivery of services to its citizens and customers. The seven General Plan Elements are Transportation, Community Development, Environmental Management, Public Safety, Socio-Economic, Cultural, and Planning and Management. Elements are then divided into sub-elements.

## **Service Delivery**

The service delivery component of PAMS is the area in which the role of the program manager becomes essential. Program managers are ultimately responsible for meeting the service levels set by the Council and reflected in the Operating Budget. Achievement of the desired program results contributes to the accomplishment of the sub-element goal to which the operating program is related. A service delivery plan is composed of specific activities which personnel perform to accomplish output (measured in production units). Activity production units constitute the direct delivery of services.

### **Ten-Year Resource Allocation Plan and Twenty-Year Financial Planning**

The Ten-year Resource Allocation Plan is the backbone of the City's financial planning process. For operating expenditures, ten planning years are projected at assumed inflation and salary rates off the last year in which a detailed operating budget is presented. For capital expenditures, projects are planned out over the entire ten-year horizon. For revenues, each major source has unique drivers that affect projections. This long-range planning gives the Council a tool in which it can project revenues, operating requirements and capital spending. It allows the cost of any policy decision to be measured in terms of long-range expenditure requirements, thereby raising "red flags" in areas where financial conditions may be unacceptable in the future. The Ten-year Resource Allocation Plan has helped the City establish a pay-as-you-go philosophy, allowing money to be set aside in reserve funds for future service expansion or capital projects. Twenty-Year Financial Planning is an extension of this process. This twenty-year plan serves several purposes. It is a planning tool useful in projecting where the City is heading financially. It is less for the accuracy that might exist in forecasting revenues and expenditures and more for understanding the trend and effects of the City's actions on its financial health.

### **Two-Year Operating and Projects Budget**

Although the City reviews its budget on an annual basis, it prepares a detailed Operating Budget covering two years every other year. This means that operating budgets are not modified during the second year of the two-year budget. The two-year cycle for operating and projects do not coincide so staff focuses on one side of the budget each year. The Projects Budget is comprised of "non-operating efforts". Capital Improvements/Special Projects is probably the most crucial area in which the City must allocate and administer. This is where developments of the City's infrastructure as well as its major internal operating activities are managed. The Projects portion of the Resource Allocation Plan is segregated into four categories: Capital, Special, Infrastructure and Outside Group Funding. Within each category, projects are divided by type: General, Housing, Parks, Sanitary Sewer, Solid Waste, Storm Drain, Street and Traffic Signal, Water and Community Development Block Grant (CDBG) Projects.

## **Types of Expenditures**

There are four major types of expenditures in the City's spending plan: operating, equipment, capital improvements and debt service. Operating expenditures are related to a program's base budget and include such items as general supplies, personnel costs and equipment rental. Major equipment expenses like computer hardware or city cars are provided for separately under a general services program to allow for compatibility and coordination. Capital improvements are expenditures, which affect the economic vitality and quality of life in the community. A good example would be construction of a park or resurfacing a city street. Debt service allows an improvement to proceed earlier, when it is needed rather than being delayed until funds are accumulated in the City's treasury. It is used like a credit card - buying something today and paying for it over time. Debt service may be used to finance, for example, a new community center building.

## **Cost Accounting**

A method of accounting, which provides for all the elements of cost incurred to accomplish a purpose, to carry on an activity or to complete a unit of work. By using this financial technique, the City is able to assess the true cost of providing a service. The City's internal users of information management, fleet and equipment, and buildings are assessed rental rates through their programs for the use and eventual replacement of such services and equipment. Employee benefits such as leave usage, retirement and insurances are also recovered by charging the programs that use personnel services. The City also uses an allocation system to distribute administrative costs to those activities that provide a service.

## **Basis of Budgeting**

Basis of budgeting refers to the method used for recognizing revenues and expenditures in the budget. For the City of Sunnyvale, the basis of budgeting is the same basis used for accounting. The modified accrual basis is followed in the governmental and agency funds (for example, the General Fund and special revenue funds such as the Park Dedication Fund). Under this basis, revenues are recognized when they become susceptible to accrual, that is, when they are both measurable and available. Measurable means that the amount of the transaction can be

determined. Available means expected to be collected within the next two months for property taxes and next twelve months for all other revenues. Intergovernmental revenues (primarily grants) which are received as reimbursement for specific purposes or projects, are recognized based upon when the related expenditures are recorded. Intergovernmental revenues which are virtually unrestricted as to purpose and revocable only for failure to meet prescribed compliance requirements are reflected as revenues at the time of receipt or earlier if availability criterion are met.

The accrual basis is used in the proprietary fund types (for example, Enterprise Funds and Internal Service Funds). Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The Comprehensive Annual Financial Report (CAFR) is prepared according to the “generally accepted accounting principles” (GAAP). The City prepares its budget in accordance with GAAP with the following exceptions:

- Loans requiring the use of current resources need to be budgeted as expenditures; in the CAFR, the disbursement of loans are treated as balance sheet items.
- Appropriated budgets are not always needed for all of the City’s funds. For example, a budget is not appropriated for the advance refunding of bonds since the resulting bond proceeds are deposited into escrow accounts and are considered restricted assets.
- Principal payments on long-term debt within the Enterprise Funds are applied to the outstanding liability in the CAFR while such items are treated as expenses in the budget.
- Capital outlay within the Enterprise Funds and Internal Service Funds are capitalized as fixed assets in the CAFR in contrast to being treated as expenses in the budget.
- The budget does not record depreciation expenses.
- The GAAP requires the reporting of investments at fair value. Since the City’s policy is to hold investments to maturity, the changes in fair value are not reflected in the budget.

The CAFR shows fund expenditures and revenues on both a GAAP and Budget basis for comparison purposes.

## **Budgetary Policy and Control**

The City follows the provisions of its Planning and Management System, which is enacted as legislative policy when the annual budget is adopted. These provisions involve the City management, employees, the public, boards and commissions and the City Council at various times during the year culminating in the establishment of new or revised General Plan goals and objectives. The budget must implement the policies contained in the General Plan, and therefore, must be consistent therewith in all respects. The City follows these procedures, contained in the Planning and Management System, in establishing the budgetary data reflected in its financial statements:

1. During January of each year, a City Council workshop is held to discuss important fiscal issues, which may have short-term or long-term effects, on how the City provides and maintains services to its citizens and customers.
2. During May of each year, the City Manager submits to the City Council, a recommended budget for the fiscal year commencing July 1. The City Charter requires that the City Council receive the City Manager's budget no later than thirty-five days prior to June 30.
3. The City Manager's recommended budget include budgets for equipment, operating costs, debt service costs, and capital, infrastructure and special projects for the ensuing year. The recommended budget also contains detailed long-term financial plans with projections for expenditures, revenues and reserves for an additional nineteen years.
4. During May of each year the City Council holds a workshop on the budget. The workshop is open to the public.
5. During June of each year the City Council holds a public hearing, legally required by the City Charter, where the public may submit written or oral comments regarding the entire budget or portions thereof.

6. Prior to June 30 of each year, the budget as modified by the City Council, is legally enacted by adoption of a budget resolution. Financial control is placed by the City Council at the program level.
7. The City Manager is authorized to transfer budgeted amounts within programs, and to appropriate funds from each fund's Twenty-Year Resource Allocation Plan reserve account. Any revisions, which exceed a fund's reserve account, must be approved by City Council.
8. Budgets are legally adopted for all Governmental funds except for the Special Assessment Debt Service Fund. The Special Assessment Debt Service Fund does not have an adopted budget because the City is only required to make Debt Service payments in the event of property owner's default. Budgets are also legally adopted for all Proprietary Funds. Formal budgets are employed as a management control device for all funds in which a budget has been adopted. However, it serves as the primary means of spending control for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.
9. Budgets can be modified during the fiscal year if the need arises due to legislative mandate, City Council or City Manager directive or unanticipated change in service level. Budget Modifications must be approved by City Council and cover one fiscal year only. This allows management to focus on changes to the base budget during the next budget process.

### **Citizen Participation**

Citizens have an opportunity to participate in the Resource Allocation Planning Process through avenues such as Council-appointed boards and commissions, study sessions and public hearings. Each fall, various boards and commissions examine changing conditions and prepare documents for Council consideration; citizens may attend study sessions dealing with upcoming Council issues; and, of course, every Tuesday at City Council meetings, citizens are given an opportunity to speak on an item during the public hearing period. In addition, staff and Council work together to prepare issues for the annual budget workshop which is also geared toward citizen involvement.